

Washington, D.C. - {As part of her ongoing commitment to promoting access to capital for small businesses, Congresswoman Melissa Bean joined colleagues in passing the Small Business Financing and Investment Act of 2009, which extends and expands successful changes to SBA (Small Business Administration) lending programs advocated by Bean and first included in the Recovery Act earlier this year.

The bill, H.R. 3854, passed 390-31.

“Many small businesses’ credit lines have been reduced or eliminated over the last year, leaving businesses struggling to find sources of affordable capital to fund business growth,” Bean said. “Small businesses drive roughly 80 percent of job creation in the country, so these programs are vital for our economic recovery.”

The American Recovery and Reinvestment Act made vital changes to SBA loan programs, reducing fees for lenders and borrowers on the 7(a) and 504 loan programs and increasing government guarantees on 7(a) loans from 75 and 85 percent to as high as 90 percent. As a result, since February, the SBA has helped support \$13.4 billion in small business lending, and weekly loan approval volumes have increased by 75 percent. H.R. 3854 extends those changes through the end of 2011.

In June, the SBA began making \$35,000 ARC loans available. The ARC program reflects a priority that Bean and House Small Business Committee Chairwoman Nydia Velázquez (NY-12) have been advocating for since last year by providing loans to viable businesses to restructure their existing debt. ARC loans are interest-free to the borrower, 100 percent guaranteed by SBA, and have no SBA fees associated with them. As of October 25, SBA has approved over 3,500 ARC loans totaling \$115 million. H.R. 3854 expands this program with an extension through the end of fiscal year 2011, a new single-page application requirement, and an increase in the maximum size of ARC loans to \$50,000.

The bill also makes a number of other improvements to SBA loan and investment programs:

- H.R. 3854 increases loan sizes, giving businesses access to larger amounts of capital. Conventional loan sizes increase by 30% to \$3 million. For small businesses that are “major employers” in an area, the legislation will allow them to secure loans as high as \$25 million. This will help small businesses that are significant contributors to local employment access larger amounts of capital.
- The legislation establishes a new training program to encourage lender participation, creating more choices for businesses seeking to acquire SBA-guaranteed loans.
- A new program at the SBA will help smaller and solo health practitioners adopt Health Information Technology, improving patient care, reducing health care costs and helping speed the adoption of electronic health records among small practitioners.
- To address small businesses’ difficulty in raising equity capital in the current market, the bill establishes a new Early-Stage Investment Program at SBA, which will pair grant money from the SBA with private venture capital in order to target investment dollars to promising small business startups.

New data from the SBA also indicates an improvement in the secondary market for SBA loans. During a March visit to the White House, the New Democrat Coalition, in which Bean serves as Vice-Chair, personally urged President Obama to address the frozen secondary market for SBA loans, which provides a crucial source of liquidity to small business lenders. In September 2008, the secondary market for SBA loans bought an average of \$328 million of loans from lenders per month. That dropped to below \$100 million a month by January, making it difficult for banks and other lenders to offer credit to small businesses. After the New Dems’ visit, the Administration pledged \$15 billion in Treasury funds to reenergize that market for SBA loans, which helped boost lender confidence. This week, the SBA released data showing that from May through September, the secondary market rebounded to an average monthly loan volume of \$348 million, which has helped support increased lending to small businesses.